

Appendix B: DRS Glossary

Terms Used in Transmittal Reporting

Some of the terms used in retirement system law have varying definitions in different systems. This glossary provides general definitions that are applicable to all systems, with any exceptions noted. For specific legal definitions, see the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC).

active member—In TRS Plan 1, means a member who has contributions within the system but who may or may not be currently reported. Whether or not a TRS member is active may affect an employer's reporting. For information, see Chapter 2: Membership.

annuity—A term used in PERS and TRS; means the money payable per year during the lifetime of a retired member by reason of the member's accumulated contributions.

arrears billing (AB)—An adjustment to a member's account for prior earning periods. (Effective January 1999, AB will no longer be used.)

Average Final Compensation (AFC)—A term used in PERS and TRS; means the average final compensation used to calculate a member's retirement benefit. For Plan 1, the AFC is calculated from the member's 24 consecutive highest-paid service credit months. For Plan 2, the AFC is calculated from a member's 60 consecutive highest-paid service credit months.

basic salary—A term used in LEOFF; means the same as *compensation*.

begin date—Identifies the date a member begins retirement-covered employment. Required on the monthly transmittal when an employee becomes eligible for retirement system membership or when a LEOFF member begins certain leaves lasting more than three days. For information, refer to Chapter 8: Transmittal Reporting.

billing month and year—The month and year in which a billing obligation was incurred. (For the CT billing, this is the same as the reporting period for the monthly transmittal report.) Payments are applied to the billing year and month entered on the Payment Advice form.

CT billing—The contribution transmittal billing (the bill created from the monthly transmittal report) is identified on the Statement of Account Activity with a CT.

calendar year—The time period beginning January 1 and ending December 31.

cashout code—A specific status code used on the monthly transmittal to report lump sum payments of leave cashouts. Cashout codes are used only for PERS Plan 1, TRS Plan 1 and WSPRS members. For information, refer to Chapter 8: Transmittal Reporting.

compensation—That portion of scheduled payment of salaries, wages, or benefits paid to a member that is reportable on the monthly transmittal report. Certain non-monetary benefits are defined as compensation in PERS Plan 1 and TRS Plan 1.

compensation earnable—A term used in PERS; means the same as *compensation*.

contributions—Any payment made to DRS by an employee or employer to one of the Washington State retirement systems. Except for a small percentage of employer contributions which pay for administrative expenses of the system, the contributions are deposited in a trust fund to pay for future retirement benefits.

contribution rate—The percentage rate of member compensation required to be contributed to a retirement system each month. Members pay a percentage of their compensation. In addition, employers pay contributions based on a percentage of each member's compensation. Contribution rates vary for the different systems and plans. For information, refer to Chapter 6: Contributions.

Credit Redistribution—A form used to correct or move outstanding items on the Statement of Account Activity. The Credit Redistribution form allows credits shown on the statement to be moved to a billing month, system, or plan in which there is a debit or balance due.

department number—Now referred to as reporting group number.

DRS—The Department of Retirement Systems. The Washington State agency that administers PERS, TRS, LEOFF, WSPRS, JRS and Judges Retirement Fund.

DRS Notices—Notices about specific areas of concern to employers, including rate changes, new legislation and policy and procedural changes.

defined benefit plan—A term used to describe retirement benefits for Washington State retirement systems. In a defined benefit plan, a vested member will receive a retirement benefit based on the accumulated service credit and average final compensation. The amount a member has contributed is not a factor in the calculation of the retirement benefit.

defined contribution—Plan 3 member contributions.

deferral—The amount of the DCP participant's compensation, upon which the participant and the employer shall mutually agree (prior to the date on which such compensation is earned), which will be deferred.

earnable compensation—A term used in TRS; means the same as *compensation*.

earning period—The calendar month and year in which an employee earns compensation. This may be different from the month in which the compensation was paid to the employee.

edit reports—See transmittal edit reports.

education employers—For the purpose of PERS service credit, includes school districts, higher education institutions, community and technical colleges, the State School for the Deaf, and the State School for the Blind. In addition, effective September 1, 1990, educational service districts are considered education employers.

elected or governor-appointed officials—For the purpose of determining participation in a Washington State retirement system, includes elected officials, direct appointees of the governor, appointees to fill vacant elective offices, and city managers or chief administrative officers.

eligible position - A term used in PERS Plan 1, PERS Plan 2, and TRS Plan 2 to define an employee's eligibility for membership. The definition of eligible position has been changed by law over the years and has been different for each system and plan. For information, refer to Chapter 2: Membership.

Employee's Permanent Record (EPR)—An obsolete DRS form. See *Enrollment Form*.

employer invoices—Billings or adjustments to correct employer contributions for taxed earning periods, or to correct employee and employer contributions for nontaxed earning periods.

end date—The date a member ends employment in a position eligible for retirement coverage. An end date is required to separate (or stop reporting) a member from the monthly transmittal or to report a LEOFF member ending certain leaves longer than three days. For information, refer to Chapter 8: Transmittal Reporting.

Enrollment Form—A form used to record a member's full name, birth date, gender, Social Security number, address, beneficiaries, employment information, and eligibility status. This form becomes a permanent part of the member's retirement file.

excess compensation - A portion of compensation used for benefit calculation for which the extra benefit derived must be paid for by the employer rather than by the retirement system.

Final Average Salary, or FAS—A term used in LEOFF; means the basic salary used to calculate a member's retirement allowance. For LEOFF Plan 2, the FAS is the monthly average of the member's 60 consecutive highest-paid service credit months. For LEOFF Plan 1, the FAS varies according to length of service and conditions of separation. For more information, members should refer to the *LEOFF Member Handbook*.

Final Compensation Report—A form which provides information needed to calculate benefits for retiring members of PERS Plan 1.

fiscal year—A term used in TRS Plan 1, means the period from July 1 through June 30 of the following year.

full time—For TRS Plan 1, means regular service for four-fifths or more of a school day or an assignment to duties which are the equivalent of four-fifths or more of a full time assignment.

full time employment—For LEOFF, usually means employment for 160 or more hours during a month. (Employers define what full time means. In the absence of any such definition, DRS considers full time employment for LEOFF members to be employment for 160 hours or more each month.)

fully compensated employment—For LEOFF, means employment which is paid at the rate regularly afforded an employee in that position.

inactive member—A term used in TRS Plan 1; means a person who is not currently being reported and who has withdrawn contributions.

ineligible position—A term used in PERS Plan 1, PERS Plan 2, and TRS Plan 2; means the position is not eligible for retirement coverage. For information, refer to Chapter 2: Membership.

invoice number—the unique 8-digit invoice number that appears on the invoice.

JRF— Judges' Retirement Fund.

JRS— Judicial Retirement System.

LEOFF—Law Enforcement Officers' and Fire Fighters' Retirement System.

LEOFF-covered employer—For LEOFF Plan 1, the legislative authority of any city, town, county, or district or the elected officials of any municipal corporation that employs any law enforcement officer or firefighter in the state of Washington. For LEOFF Plan 2, the legislative authority of any city, town, county, or district, or the elected officials of any municipal corporation, or the governing body of any other general authority law enforcement agency that employs any law enforcement officer or firefighter in the state of Washington.

member—Any employee enrolled in and contributing to a retirement system.

member invoice—Formal notification from DRS to a member of money due. Member invoices are mandatory member obligations such as arrears billings, refund overpayments, or pension overpayments. See also *optional bills*.

Minimum Medical and Health Standards (MMHS)—For LEOFF Plan 1 members, means the legislatively mandated medical and health standards which determine eligibility for coverage under the LEOFF retirement system.

monthly transmittal report—Monthly report submitted to DRS by each employer. Report contains compensation, contributions, and hours or days worked by each member. For information, refer to Chapter 8: Transmittal Reporting.

nontaxed (or tax-deferred) contributions—Employee retirement contributions for which federal income taxes have not been withheld. See also *taxed contributions*.

optional bills—An invoice which the member may pay if he or she wishes to obtain certain service credit. For example, optional bills may be issued to members who are restoring service credit or purchasing service credit for an authorized leave of absence.

organization number—Each employer has a unique organization number, which is inclusive of all reporting group numbers assigned to your organization.

partial service credit—Credit earned for working fewer than the number of hours required for a full month of service credit. This applies to PERS Plan 1, PERS Plan 2, and TRS Plan 2 members in eligible positions and to full time, fully-compensated LEOFF Plan 2 members. Effective with the September 1991 earning period, members can earn either $\frac{1}{4}$ or $\frac{1}{2}$ month of service credit.

participant—Any eligible employee who executes a participation agreement with DRS assenting to the provisions of the Deferred Compensation Program (DCP), once the agreement has been approved by DRS or its designee.

Payment Advice—A form used to tell DRS how to apply payments. The Payment Advice form must accompany all checks, warrants, journal vouchers (JV), or other payment documents mailed to DRS. The Payment Advice form must also be mailed in conjunction with some electronic fund transfers. For information, see Chapter 10: Account Activity.

PERS—Public Employees' Retirement System.

PERS education member—A PERS member employed by a school district, higher education institution, community or technical college, the State School for the Deaf, or the State School for the Blind. In addition, effective September 1, 1990, a member employed by an educational service district.

Plan 1/Plan 2/Plan 3—Terms used in PERS, TRS and LEOFF to define the provisions covering a member's rights to benefits in a retirement system.

Plan 1 refers to the funding and benefit provisions covering persons who first became members of a retirement system prior to October 1, 1977.

Plan 2 refers to the funding and benefit provisions covering persons who first became members of a retirement system on or after October 1, 1977.

Plan 3 refers to the funding and benefit provisions covering persons who first became members of a retirement system on or after July 1, 1996.

political subdivision—Any political entity other than a state agency, a higher education institution or a school district that participates in PERS.

prelist—A preprinted transmittal report which DRS provides to an employer who does not report by automated means. The employer verifies or corrects the report and resubmits the original copy to DRS. For information, refer to Chapter 8: Transmittal Reporting.

Reporting Group Number—A unique number assigned to an employer which identifies the retirement system in which the employer participates. For information, refer to Chapter 8: Transmittal Reporting.

restoration—The process of restoring a member's service credit for prior periods. A member who has left service and withdrawn contributions can, upon reestablishing membership, receive service credit for earlier service. The member must repay all withdrawn contributions plus interest accumulated since the time of withdrawal.

retiree—An individual who has terminated membership in a Washington State retirement system and is entitled to receive a retirement benefit or a lump-sum cashout.

retirement allowance—A term used in TRS Plan 1, means the benefit to which a TRS Plan 1 member is entitled. This allowance includes the member's pension benefit plus his or her annuity amount.

retirement benefit—The benefit to which a retired member is entitled based on the accumulated service credit and average final compensation. The amount a member has contributed is not a factor in the calculation of the retirement benefit. For information, see Chapter 3: Service Credit.

school day—The number of hours in a day that make up a complete day of work, as defined by the employer. In the absence of an employer definition, WAC defines the school day as seven hours long.

SERS—School Employees' Retirement System

school year—For the purpose of calculating service credit for TRS Plan 2 and Plan 3 and PERS Plan 1 and Plan 2 education members, means the period from September 1 through August 31 of the following year.

separated—No longer employed in a retirement-covered position.

separation date—See *end date*.

service—The number of hours or days for which an employee receives compensation. Service is reported in days for TRS Plan 1 members and in hours for members of all other systems and plans.

service credit—Months or years of employment credited toward an eventual retirement benefit.

Statement of Account Activity (formerly Accounts Receivable Statement)—Statement issued to employers once each month, providing a summary of all payment and billing activity in the employer's account.

status code—A one-character code which identifies the status of compensation, contributions, and/or service reported on the monthly transmittal. For information, refer to Chapter 8: Transmittal Reporting.

summary page—For employers who report by prelist, the summary page is the last page of the preprinted monthly transmittal report. Employers who report by automated means must send a single summary page of information to accompany the tape or diskette sent to DRS. For information, refer to Chapter 8: Transmittal Reporting.

TRS—Teachers' Retirement System.

tax-deferred (or non-taxed) contributions—Contributions on which taxes have not yet been paid. See also *taxed contributions*.

taxed contributions—Contributions for which federal income taxes have been withheld. All contributions for earning periods prior to September 1984 are taxed. See also *nontaxed contributions*.

teacher—Any individual qualified to teach who is engaged by a public school or an institution of the state of Washington in an instructional, administrative or supervisory capacity. Among other requirements, an individual must meet this definition to be eligible for membership in TRS. For information, see Chapter 2: Membership.

transmittal edit reports—The DRS transmittal system uses a single edit report to provide information to you about your reporting. The edit report lets you know if information has not been reported, if information has been reported incorrectly, or if information you have reported has been rejected.

type code—A two-digit code used on the monthly transmittal report to identify the type of employer or type of job an employee performs. For information, refer to Chapter 4: Transmittal Reporting.

vested member—An individual who has established five years or more of service credit within a retirement system and has not withdrawn contributions. A vested member is eligible to receive a retirement allowance when qualified for retirement.

WSPRS—The Washington State Patrol Retirement System.

Blank page